

OFFICIAL STATEMENT

Dated March 18, 2014

**Ratings: S&P:“AA-”
(See “OTHER INFORMATION – Ratings” herein.)**

NEW ISSUE – Book-Entry-Only

In the opinion of Bond Counsel, based on existing law and subject to conditions described in the section herein entitled “TAX MATTERS” interest on the Notes (including any accrued “original issue discount” properly allocable to the owners of such Notes) is excludable from the gross income of the owners of the Notes for federal income tax purposes and interest on the Notes is not treated as a preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, that for purposes of the alternative minimum tax on corporations, interest on the Notes is included in computing adjusted current earnings. See “TAX MATTERS” herein regarding certain tax considerations.

\$14,815,000

SCURRY COUNTY JUNIOR COLLEGE DISTRICT

(A political subdivision of the State of Texas located in Scurry County, Texas)

MAINTENANCE TAX NOTES, SERIES 2014

Dated Date: March 1, 2014

Due: February 15, as shown on inside cover page

Interest to Accrue from Date of Delivery

PAYMENT TERMS . . . Interest on the \$14,815,000 Scurry County Junior College District Maintenance Tax Notes, Series 2014 (the “Notes”) will accrue from their date of initial delivery to the Underwriters (defined below), will be payable on February 15 and August 15 of each year commencing August 15, 2014, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Notes will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Notes may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Notes will be made to the owners thereof.** Principal of and interest on the Notes will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Notes. See “THE NOTES – Book-Entry-Only System” herein. The initial Paying Agent/Registrar is BOKF, NA dba Bank of Texas, Austin, Texas. See “THE NOTES – Paying Agent/Registrar”.

AUTHORITY FOR ISSUANCE . . . The Notes are issued pursuant to the Constitution and general laws of the State of Texas (the “State”), including Sections 45.108, 130.084, and 130.122, Texas Education Code, as amended, and a resolution authorizing the Notes (the “Resolution”) adopted by the Board of Trustees (the “Board”) of the Scurry County Junior College District (the “District”) on March 18, 2014. See “THE NOTES – Authority for Issuance” and “THE NOTES – Security and Source of Payment and Tax Rate Limitation” herein.

SECURITY . . . The Notes are direct obligations of the District, payable from a continuing, direct annual ad valorem tax levied pursuant to the District’s maintenance tax authority, within the limits prescribed by law, on all taxable property located in the District.

PURPOSE . . . Proceeds from the sale of the Notes will be used for the purpose of renovating and equipping various existing District facilities and paying all costs associated with the issuance of the Notes.

See Principal Amounts, Maturities, Interest Rates, and Prices on the Inside Cover Page

LEGALITY . . . The Notes are offered for delivery when, as, and if issued and received by the underwriters listed below (the “Underwriters”) and subject to the approving opinions of the Attorney General of Texas and the opinion of McGuireWoods, LLP, Houston, Texas, Bond Counsel (see “APPENDIX B – Form of Bond Counsel’s Opinion”). Certain legal matters will be passed upon for the Underwriters by Fulbright & Jaworski LLP, a member of Norton Rose Fulbright, Houston, Texas, as Counsel to the Underwriters.

DELIVERY . . . It is expected that the Notes will be available for delivery through DTC on or about April 10, 2014 (the “Date of Delivery”).

OPPENHEIMER & CO.

JEFFERIES

RAYMOND JAMES

PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND PRICES*

\$14,815,000 MAINTENANCE TAX NOTES, SERIES 2014

<u>Principal Amount</u>	<u>Maturity (February 15)^(a)</u>	<u>Interest Rate</u>	<u>Initial Yield^(b)</u>	<u>CUSIP No. (811257)^(c)</u>
\$785,000	2015	2.000%	0.300%	BJ 2
800,000	2016	2.000	0.470	BK 9
825,000	2017	3.000	0.780	BL 7
845,000	2018	3.000	1.120	BM 5
875,000	2019	3.000	1.470	BN 3
900,000	2020	3.000	1.900	BP 8
930,000	2021	4.000	2.310	BQ 6
970,000	2022	4.000	2.600	BR 4
1,010,000	2023	4.000	2.840	BS 2
1,050,000	2024	4.000	2.980	BT 0
1,090,000	2025	3.125	3.320	BU 7
1,125,000	2026	3.250	3.470	BV 5
1,160,000	2027	3.375	3.580	BW 3
1,205,000	2028	3.500	3.690	BX 1
1,245,000	2029	3.625	3.800	BY 9

(Interest accrues from the date of delivery)

- (a) The Notes maturing on and after February 15, 2025, are subject to optional redemption, in whole or in part, on February 15, 2024, or any date thereafter, at a price equal to the par value thereof, plus accrued interest from the most recent interest payment date to the date of redemption. (See “THE NOTES –Redemption”).
- (b) The initial yields and prices are established by, and are the sole responsibility of the Underwriters and may subsequently be changed.
- (c) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard and Poor’s Financial Services LLC on behalf of The American Bankers Association and are included solely for convenience of the registered owners of the Notes. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the District, the Financial Advisor, nor the Underwriters is responsible for the selection or correctness of the CUSIP Numbers set forth herein.

USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized by the District, the Financial Advisor or the Underwriters to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the District, the Financial Advisor or the Underwriters. This Official Statement does not constitute an offer to sell Notes in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

Certain information set forth herein has been obtained from the District and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Financial Advisor or the Underwriters. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof.

IN CONNECTION WITH THE OFFERING OF THE NOTES, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE NOTES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

THE NOTES ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE NOTES IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THE NOTES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

NONE OF THE DISTRICT, THE FINANCIAL ADVISOR, NOR THE UNDERWRITERS MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK ENTRY ONLY SYSTEM.

The agreements of the District and others related to the Notes are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Notes is to be construed as constituting an agreement with the purchasers of the Notes.

THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY AND IS NOT INTENDED AS A SUMMARY OF THIS OFFERING. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE SCHEDULE AND ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Notes to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

- THE DISTRICT** The Scurry County Junior College District (the “District”) is a political subdivision of the State of Texas located in Scurry County, Texas. The District encompasses approximately 912 square miles.
- THE NOTES**..... The District is issuing its \$14,815,000 Maintenance Tax Notes, Series 2014 (the “Notes”). The Notes are issued as serial notes maturing on February 15 in each of the years 2015 through 2029 (see “THE NOTES – Description of the Notes”).
- PAYMENT OF INTEREST** Interest on the Notes accrues from the date of initial delivery to the underwriters listed on the cover page hereof (the “Underwriters”) and is payable initially on August 15, 2014, and each February 15 and August 15 thereafter until stated maturity or prior redemption (see “THE NOTES – Description of the Notes”).
- AUTHORITY FOR ISSUANCE** The Notes are being issued pursuant to the Constitution and the general laws of the State of Texas, including Sections 45.108, 130.084 and 130.122, Texas Education Code, as amended, and a resolution (the “Resolution”) adopted by the Board of Trustees of the District (the “Board”) on March 18, 2014 (see “THE NOTES – Authority for Issuance”).
- SECURITY FOR THE NOTES** The Notes constitute direct obligations of the District, payable as to principal and interest from a continuing, direct annual ad valorem tax levied pursuant to the District’s maintenance tax authority, within the limits prescribed by law, on all taxable property located within the District (see “THE NOTES – Security and Source of Payment and Tax Rate Limitation”).
- REDEMPTION** The District reserves the right, at its option, to redeem Notes having stated maturities on and after February 15, 2025, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2024, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. In addition, any Notes structured as Term Notes (defined herein) will be subject to mandatory sinking fund redemption at the times and in the amounts specified in the Resolution, which provisions will be disclosed in the final Official Statement (see “THE NOTES – Redemption” herein).
- RATINGS** The presently outstanding ad valorem tax supported debt of the District is rated “AA-” by Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”), without regard to credit enhancement. Applications for contract rating on the Notes have been made to S&P (see “OTHER INFORMATION – Ratings”).

USE OF PROCEEDS Proceeds from the sale of the Notes will be used for the purpose of renovating and equipping various existing District facilities and paying all costs associated with the issuance of the Notes.

TAX EXEMPTION..... In the opinion of Bond Counsel, based on existing law and subject to conditions described in the section herein entitled “TAX MATTERS” interest on the Notes (including any accrued “original issue discount” properly allocable to the owners of such Notes) is excludable from the gross income of the owners of the Notes for federal income tax purposes and interest on the Notes is not treated as a preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, that for purposes of the alternative minimum tax on corporations, interest on the Notes is included in computing adjusted current earnings. See “TAX MATTERS” herein regarding certain tax considerations.

BOOK-ENTRY-ONLY SYSTEM..... The definitive Notes will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Notes may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Notes will be made to the beneficial owners thereof. Principal of and interest on the Notes will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Notes (see “THE NOTES – Book-Entry-Only System”).

PAYMENT RECORD The District has never defaulted in payment of its tax supported debt.

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SELECTED FINANCIAL INFORMATION^(a)

Fiscal Year Ended 8/31	Net Taxable Assessed Valuation ^(b)	Tax Levy	% Current Collections	% Current and Delinquent Collections
2010	\$2,711,874,793	\$3,839,701	99.15%	99.97%
2011	2,719,718,274	4,133,884	99.09%	100.36%
2012	3,351,529,048	5,765,463	99.12%	99.79%
2013	3,478,253,820	6,265,278	99.22%	100.07%
2014	3,509,993,038	8,621,889	(In Process of Collection)	

(a) Source: Scurry County Junior College District Comprehensive Annual Financial Report.

(b) Source: Scurry County Appraisal District. Values for fiscal year ended 8/31/2014 are estimates provided by Scurry County Appraisal District.

REVENUES, EXPENSES AND CHANGES IN NET POSITION CONSOLIDATED STATEMENT SUMMARY^(a)

	Fiscal Year Ended August 31,				
	2013	2012	2011	2010	2009
Operating Revenues	\$ 8,075,888	\$ 8,071,851	\$ 7,306,012	\$ 7,701,281	\$ 7,420,912
Operating Expenses	19,530,965	19,331,509	18,981,284	18,749,365	17,048,089
Nonoperating Revenues	13,971,414	13,547,773	12,814,619	11,833,792	9,761,678
Other Revenues					
Increase in Net Position	\$ 2,516,337	\$ 2,288,115	\$ 1,139,347	\$ 785,708	134,501
Net Position – Beginning of Year	\$16,987,748	\$14,699,633	\$13,560,286	\$12,774,578	\$12,640,077
Prior Period Adjustments	-	-	-	-	-
Net Position – Beginning of Year (Restated)	\$16,987,748	\$14,699,633	\$13,560,286	\$12,774,578	\$12,640,077
Net Position – End of Year	\$19,504,085	\$16,987,748	\$14,699,633	\$13,560,286	\$12,774,578

(a) With the implementation of GASB 63, The Statement of Net Assets was renamed The Statement of Net Position.

For additional information regarding the District, please contact:

Patricia Claxton, Chief Financial Officer
 Scurry County Junior College District
 Administration Building (20-114)
 6200 College Avenue
 Snyder, Texas 79549
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DISTRICT OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

Board of Trustees	Time with District	Length of Service	Term Expires	Occupation
Lee Presswood, President	20 years	20 years	2018	Principal-Snyder Christian School
Eddie Peterson, Vice President	20 years	20 years	2018	Retired
Drew Bullard, Secretary	18 years	18 years	2014	Owner of computer solutions store
Mike McWilliams, Member	9 years	9 years	2014	Pharmacist & owner of pharmacy
Scott Richburg, Member	14 years	14 years	2018	Owner-Blackwatch Systems
Dr. Jay Kidd, Member	22 years	22 years	2016	Dentist
Tim Riggins, Member	4 years	4 years	2016	Financial Advisor

SELECTED ADMINISTRATIVE STAFF

Name	Position
Dr. Barbara Beebe	President
Mike Thornton	Chief Operations Officer
Britt Canada	Dean of Institutional Research & Effectiveness
Patricia Claxton	Chief Financial Officer
Ralph Ramon	Dean of Student Services
Roy Bartels	Dean of Technology
Tammy Davis	Athletic Director
Melanie Schwertner	Administrative Assistant

CONSULTANTS AND ADVISORS

Bond Counsel	McGuireWoods, LLP Houston, Texas
Certified Public Accountants	May & Hrbacek, LLP Sweetwater, Texas
Financial Advisor	Government Capital Securities Corporation Southlake, Texas

OFFICIAL STATEMENT

RELATING TO

\$14,815,000

SCURRY COUNTY JUNIOR COLLEGE DISTRICT

(A political subdivision of the State of Texas located in Scurry County, Texas)

MAINTENANCE TAX NOTES, SERIES 2014

INTRODUCTION

This Official Statement, which includes the Appendix A hereto, provides certain information regarding the issuance of \$14,815,000 Scurry County Junior College District Maintenance Tax Notes, Series 2014 (the "Notes"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Resolution (defined herein), except as otherwise indicated herein.

The Scurry County Junior College District (the "District") is located in Scurry County, Texas (the "County"). The District is a political subdivision of the State of Texas and operates as a junior college district under the laws of the State of Texas, serving as an educational and cultural resource center to the District's residents.

There follows in this Official Statement descriptions of the Notes, the Resolution, and security for the Notes, and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District or the Financial Advisor upon request via electronic mail or upon payment of reasonable copying, handling, and delivery charges.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Final Official Statement pertaining to the Notes will be deposited with the Municipal Securities Rulemaking Board through its Electronic Municipal Markets Access ("EMMA") System. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District's undertaking to provide certain information on a continuing basis.

THE NOTES

DESCRIPTION OF THE NOTES. The Notes are dated March 1, 2014, and mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest on the Notes accrues from the date of initial delivery of the Notes to the underwriters listed on the cover page hereof (the "Underwriters"), will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15, commencing August 15, 2014. The definitive Notes will be issued only in fully registered form in any integral multiple of \$5,000 for any one stated maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Notes will be made to the owners thereof.** Principal of and interest on the Notes will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Notes. See "THE NOTES – Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE. The Notes are issued pursuant to authority conferred by the Constitution and the laws of the State of Texas, including Sections 45.108, 130.084 and 130.122, Texas Education Code, as amended, and a resolution adopted by the District's Board of Trustees (the "Board") on March 18, 2014 (the "Resolution").

SECURITY AND SOURCE OF PAYMENT AND TAX RATE LIMITATION. The Notes are direct obligations of the District payable from a continuing, direct annual ad valorem tax pursuant to the District's maintenance tax authority, within the limits prescribed by law, on all taxable property in the District. By local referendum held on June 13, 1970, the District is limited to a total tax rate of not to exceed \$0.35 per \$100 statutory taxable assessed valuation for maintenance and operations and debt service purposes. The District's existing tax rate is lower than the \$1.00 per

\$100 taxable assessed valuation limitation (of which a maximum of \$0.50 may be utilized for debt service purposes for voter approved bonds) on ad valorem tax rates for community college districts permitted by Section 130.122, as amended, Texas Education Code. Though the District is permitted by law to hold an election to consider an increase in the maximum ad valorem tax it may levy and collect, it has no current plans to do so. For the fiscal year ending August 31, 2014, the District levied an ad valorem tax for local maintenance and operations purposes at the rate of \$0.2500 per \$100 of taxable assessed valuation (see Table 4 herein). The District currently does not levy a tax for debt service purposes. The District has covenanted in the Resolution to levy and assess, for each year that all or any part of the Notes remain outstanding and unpaid, a tax within the limitations prescribed by law (including the self-imposed maximum rate of \$0.35 per \$100 statutory taxable assessed valuation) which, when added to other funds legally available to the District for payment of outstanding maintenance tax debt obligations, is adequate to provide funds to pay the principal of and interest on the Notes.

REDEMPTION. The District reserves the right, at its option, to redeem Notes having stated maturities on and after February 15, 2025, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2024, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. In addition, any Notes structured as one or more term Notes (the "Term Notes") will be subject to mandatory sinking fund redemption at the times and in the amounts specified in the Resolution, which provisions will be disclosed in the final Official Statement.

SELECTION OF NOTES FOR REDEMPTION. If less than all of the Notes are to be redeemed, the District may select the maturities of Notes to be redeemed. If less than all the Notes of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Notes are in Book-Entry-Only form) will determine by lot the Notes, or portions thereof, within such maturity to be redeemed. If a Note (or any portion of the principal sum thereof) has been called for redemption and notice of such redemption given, such Note (or the principal amount thereof to be redeemed) will become due and payable on such redemption date and interest thereon will cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

NOTICE OF REDEMPTION. Not less than 30 days prior to a redemption date for the Notes, the District must cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Notes to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE OF REDEMPTION SO MAILED WILL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER RECEIVED BY THE NOTEHOLDER, AND SUBJECT TO PROVISION FOR PAYMENT OF THE REDEMPTION PRICE HAVING BEEN MADE AND THE SATISFACTION OF ANY OTHER CONDITION SPECIFIED IN THE NOTICE, INTEREST ON THE REDEEMED NOTES WILL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A NOTE HAS NOT BEEN PRESENTED FOR PAYMENT.

All notices of redemption must (i) specify the date of redemption for the Notes, (ii) identify the Notes to be redeemed, and in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state that the Notes, or the portion of the principal amount thereof to be redeemed, will become due and payable on the redemption date specified, and the interest thereon, or on the portion of the principal amount thereof to be redeemed, will cease to accrue from and after the redemption date, and (v) specify that payment of the redemption price for the Notes, or the principal amount thereof to be redeemed, will be made at the designated corporate trust office of the Paying Agent/Registrar only upon presentation and surrender thereof the by registered owner.

The Paying Agent/Registrar and the District, so long as the Book-Entry-Only System is used for the Notes, will send any notice of redemption (with respect to the Notes), notice of proposed amendment to the Resolution or other notices with respect to the Notes only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Notes called for redemption or any other action premised on any such notice. Redemption of portions of the Notes by the District will reduce the outstanding principal amount of such Notes held by DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect DTC participants may implement a redemption of such Notes from the beneficial owners. Any such selection of Notes to be

redeemed will not be governed by the Resolution and will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Notes or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Notes for redemption. See “THE NOTES – Book-Entry-Only System” herein.

DEFEASANCE. The Resolution provides for the defeasance of the Notes when the payment of the principal of and premium, if any, on the Notes, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, in trust (1) money sufficient to make such payment, and/or (2) Government Obligations (defined below), certified, in the case of a net defeasance, by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Notes; provided, however, that no certification by an independent accounting firm of the sufficiency of deposits shall be required in connection with a gross defeasance of Notes. The District has additionally reserved the right in the Resolution, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Obligations for the Government Obligations originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District money in excess of the amount required for such defeasance. The Resolution provides that “Government Obligations” means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District authorizes the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the District adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, or (d) any additional securities and obligations hereafter authorized by Texas law as eligible for use to accomplish the discharge of obligations such as the Notes. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Notes, or those for any other Government Obligations, will be maintained at any particular rating category. Further, there is no assurance that current Texas law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of those securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Notes (“Defeasance Proceeds”), though the District has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Resolution does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the District to use lawfully available Defeasance Proceeds to defease all or any portion of the Notes, registered owners of Notes are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under Texas law as permissible defeasance securities.

Upon such deposit as described above, such Notes will no longer be regarded to be outstanding obligations for purposes of applying any limitation on indebtedness or for purposes of taxation. After firm banking and financial arrangements for the discharge and final payment of the Notes have been made as described above, all rights of the District to initiate proceedings to call the Notes for redemption or take any other action amending the terms of the Notes are extinguished; provided, however, that, the District’s right to redeem Notes defeased to stated maturity is not extinguished if the District has reserved the option, to be exercised at the time of the defeasance of the Notes, to call for redemption, at an earlier date, those Notes which have been defeased to their stated maturity date, if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Notes for redemption; (ii) gives notice of the reservation of that right to the owners of the Notes immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

AMENDMENTS. The District may amend the Resolution without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the

owners of a majority in aggregate principal amount of the Notes then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Resolution; except that, without the consent of the registered owners of all of the Notes then outstanding and affected thereby, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of and interest on the Notes, reduce the principal amount thereof, the rate of interest thereon, or the redemption price therefor, or in any way modify the terms of payment of the principal of or interest on the Notes, (2) give any preference to any Note over any other Note, or (3) reduce the aggregate principal amount of Notes required for consent to any amendment, addition, or rescission.

BOOK-ENTRY-ONLY SYSTEM. This section describes how ownership of the Notes is to be transferred and how the principal of, and interest on the Notes are to be paid to and credited by DTC while the Notes are registered in its nominee's name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor, and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Notes, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Notes), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Notes, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing

their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as defaults and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the register and request that copies of the notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar of each series, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar of each series, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of and interest on the Notes to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent/Registrar of each series, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the District or the respective Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained certificates representing each Stated Maturity of the Notes are required to be printed and delivered.

The District may decide to discontinue the use of the system of book-entry-only transfers through DTC (or a successor depository). In that event, physical certificates representing each Stated Maturity of the Notes, as appropriate, will be printed and delivered to the holder of such Notes and will be subject to transfer, exchange and registration provisions as set forth in the Resolution and summarized under "THE NOTES – Transfer, Exchange and Registration" below.

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the Notes are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Notes, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii)

except as described above, notices that are to be given to registered owners under the Resolution will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the District, the Financial Advisor, or the Underwriters.

Effect of Termination of Book-Entry-Only System. In the event that the Book-Entry-Only System of the Notes is discontinued, printed Notes will be issued to the DTC Participants or the owner, as the case may be, and such Notes will be subject to transfer, exchange and registration provisions as set forth in the Resolution and summarized under “THE NOTES – Transfer, Exchange and Registration” below.

MUTILATED, DESTROYED, LOST, OR STOLEN NOTES. Upon discontinuance of the Book-Entry-Only System, the District has agreed to replace mutilated, destroyed, lost, or stolen Notes upon surrender of the mutilated Notes to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss, or theft, and receipt by the District and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The District may require payment of taxes, governmental charges, and other expenses in connection with such replacement.

PAYING AGENT/REGISTRAR. The initial Paying Agent/Registrar is BOKF, NA dba Bank of Texas, Austin, Texas. In the Resolution, the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Notes are duly paid and any successor Paying Agent/Registrar must be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Notes. Upon any change in the Paying Agent/Registrar for the Notes, the District agrees to promptly cause a written notice thereof to be sent to each registered owner of the Notes by United States mail, first class, postage prepaid, which notice will also give the address of the new Paying Agent/Registrar.

SUCCESSOR PAYING AGENT/REGISTRAR. The District reserves the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new Paying Agent/Registrar must accept the previous Paying Agent/Registrar’s records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District must be a (i) a national or state banking institution, or (ii) an association or a corporation organized and doing business under the laws of the United States of America or of any state authorized under such laws to exercise trust power. Upon a change in the Paying Agent/Registrar for the Notes, the District will promptly cause a written notice thereof to be sent to each registered owner of the Notes by United States mail, first-class postage prepaid, which notice will give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION. In the event the Book-Entry-Only System should be discontinued, the Notes may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange will be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Notes may be assigned by the execution of an assignment form on the respective Notes or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Notes will be delivered by the Paying Agent/Registrar, in lieu of the Notes being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Notes issued in an exchange or transfer of Notes will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Notes to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Notes registered and delivered in an exchange or transfer will be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Notes surrendered for exchange or transfer. See “THE NOTES – Book-Entry-Only System” herein for a description of the system to be utilized initially in regard to ownership and transferability of the Notes. Neither the District nor the Paying Agent/Registrar shall be required to transfer or exchange any Note called for redemption, in whole or in part, within 45 days of the date fixed for

redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Note.

RECORD DATE FOR INTEREST PAYMENT. The record date (“Record Date”) for determining the person to whom the interest on the Notes is payable on any interest payment date means the close of business on the last business day of the preceding month.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a “Special Record Date”) will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (“Special Payment Date”, which must be 15 days after the Special Record Date) will be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of a Note appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

NOTEHOLDERS’ REMEDIES. The Resolution does not provide for the appointment of a trustee to represent the interests of the Noteholders upon any failure of the District to perform in accordance with the terms of the Resolution or upon any other condition and, in the event of any such failure to perform, the registered owners would be responsible for the initiation and cost of any legal action to enforce performance of the Resolution. Furthermore, the Resolution does not establish specific events of default with respect to the Notes and, under State law, there is no right to the acceleration of maturity of the Notes upon the failure of the District to observe any covenant under the Resolution. A registered owner of Notes could seek a judgment against the District if a default occurred in the payment of principal of or interest on any such Notes; however, such judgment could not be satisfied by execution against any property of the District and a suit for monetary damages could be vulnerable to the defense of sovereign immunity. A registered owner’s only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the District to levy, assess, and collect an annual ad valorem tax sufficient to pay principal of and interest on the Notes as it becomes due or perform other material terms and covenants contained in the Resolution. In general, Texas courts have held that a writ of mandamus may be issued to require a public official to perform legally imposed ministerial duties necessary for the performance of a valid contract, and Texas law provides that, following their approval by the Attorney General and issuance, the Notes are valid and binding obligations for all purposes according to their terms. However, the enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. The District is also eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Noteholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Resolution and the Notes are qualified with respect to the customary rights of debtors relative to their creditors, including rights afforded to creditors under the Bankruptcy Code.

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USE OF NOTE PROCEEDS. Proceeds from the sale of the Notes are expected to be expended as follows:

<u>Sources:</u>	
Principal Amount of the Notes	\$14,815,000.00
Net Premium	521,562.10
Total Sources of Funds	<u>\$ 15,336,562.10</u>
 <u>Uses:</u>	
Deposit to Project Fund	\$15,000,000
Costs of Issuance ^(a)	336,562.10
Total Uses of Funds	<u>\$ 15,336,562.10</u>

^(a) Includes Underwriters' discount and the fees of Bond Counsel, the Paying Agent/Registrar, the rating agency and other costs related to the issuance of the Notes.

TAX INFORMATION

AD VALOREM TAX LAW. The appraisal of property within the District is the responsibility of the Scurry County Appraisal District (the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under the Property Tax Code to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the market value of the property, or (2) the sum of (a) 10% of the appraised value of the property for the last year in which the property was appraised for taxation times the number of years since the property was last appraised, plus (b) the appraised value of the property for the last year in which the property was appraised plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, consisting of three members appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The District may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the District by petition filed with the Appraisal Review Board.

Reference is made to the V.T.C.A., Title I, Tax Code (the "Property Tax Code"), for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Article VIII of the State Constitution ("Article VIII") and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value, and the exemption of certain personal property from ad valorem taxation.

Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant: (1) An exemption of not less than \$3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision; (2) An exemption of up to 20% of the market value of residence homesteads. The minimum exemption under this provision is \$5,000.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from \$5,000 to a maximum of \$12,000.

A disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100% disability compensation due to a service-connected disability and a rating of 100% disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. Furthermore, the surviving spouse of a deceased veteran who had received a disability rating of 100% is entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries. Following the approval by the voters at a November 5, 2013 statewide election, a partially disabled veteran or the surviving spouse of a partially disabled veteran is entitled to an exemption equal to the percentage of the veteran's disability, if the residence was donated at no cost to the veteran by a charitable organization.

Also approved by the November 5, 2013 election, was a constitutional amendment providing that the surviving spouse of a member of the armed forces who is killed in action is entitled to a property tax exemption for all or part of the market value of such surviving spouse's residences homestead, if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Section 1-d and 1-d-1.

Texas voters have approved a constitutional amendment authorizing counties, cities, towns or junior college districts to establish an ad valorem "tax freeze" on residence homesteads of the disabled and persons 65 years of age or older. This "tax freeze" can be implemented by official action of a governing body, or pursuant to an election called by the governing body upon receipt of a petition signed by 5% of registered voters of the political subdivision.

If the tax limitation is established, the total amount of ad valorem taxes imposed by the District on a homestead that receives the exemption may not be increased while it remains the residence homestead of that person or that person's spouse who is disabled or 65 years of age or older, except to the extent the value of the homestead is increased by improvements other than repairs. If a disabled or elderly person dies in a year in which the person received a residence homestead exemption, the total amount of ad valorem taxes imposed on the homestead by the taxing unit may not be increased while it remains the residence homestead of that person's surviving spouse if (i) the taxpayer died in a year in which he qualified for the exemption, (ii) the surviving spouse was at least 55 years of age when the taxpayer died, and (iii) the property was the residence homestead of the surviving spouse when the taxpayer died and the property remains the residence homestead of the surviving spouse. In addition, the Texas Legislature by general law may provide for the transfer of all or a proportionate amount of the tax limitation applicable to a person's homestead to be transferred to the new homestead of such person if the person moves to a different residence within the taxing unit. Once established, the governing body of the taxing unit may not repeal or rescind the tax limitation.

Nonbusiness personal property, such as automobiles or light trucks, are exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as nonbusiness property are exempt from ad valorem taxation.

Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit" is defined by the Property Tax Code, as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and outboard motor, heavy equipment and manufactured housing

inventory. The Property Tax Code provision permits local governmental entities, on a local option basis, to take official action by January 1 of the first year in which goods-in-transit are proposed to be taxed, and after holding a public hearing, to take official action to tax goods-in-transit during the following tax year and to continue to tax those goods until the action authorizing such taxation is rescinded or repealed. A taxpayer may receive only one of the freeport exemptions or the goods-in-transit exemptions for items of personal property.

The District and the other taxing bodies within its territory may agree to jointly create tax increment financing zones, under which the tax values on property in the zone are “frozen” at the value of the property at the time of creation of the zone. The District also may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The District in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to ten years.

A city or county may create a tax increment financing district (“TIF”) within the city or county with defined boundaries and establish a base value of taxable property in the TIF at the time of its creation. Overlapping taxing units, including the District, may agree with the city or county to contribute all or part of future ad valorem taxes levied and collected against the “incremental value” (taxable value in excess of the base value) of taxable real property in the TIF to pay or finance the costs of certain public improvements in the TIF. Depending on the District’s level of participation in a TIF zone, if any, the District’s ability to retain ad valorem taxes collected on the increased assessed valuation of real property in the TIF in excess of the tax increment base value established for the TIF would be limited by the provisions of its participation in the TIF.

The District may also enter into tax abatement agreement to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The District in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

EFFECTIVE TAX RATE AND ROLLBACK TAX RATE. By the later of September 30th or 60 days after the date the certified appraisal roll is received by the District, the Board adopts a tax rate per \$100 taxable value for the current year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures and (2) a rate for debt service.

Under the Property Tax Code, the District must annually calculate and publicize its “effective tax rate” and “rollback tax rate”. The Board of Trustees may not adopt a tax rate that exceeds the prior year’s levy until it has held two public hearings on the proposed increase following notice to the taxpayers and otherwise complied with the Property Tax Code. If the adopted tax rate exceeds the rollback tax rate, the qualified voters of the District by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

“Effective tax rate” means the rate that will produce last year’s total tax levy (adjusted) from this year’s total taxable values (adjusted). “Adjusted” means lost values are not included in the calculation of last year’s taxes and new values are not included in this year’s taxable values.

“Rollback tax rate” means the rate that will produce last year’s maintenance and operation tax levy (adjusted) from this year’s values (adjusted) multiplied by 1.08 plus a rate that will produce this year’s debt service from this year’s values (unadjusted) divided by the anticipated tax collection rate.

The Property Tax Code provides that certain cities and counties in the State may submit a proposition to the voters to authorize an additional one-half cent sales tax on retail sales of taxable items. If the additional tax is levied, the effective tax rate and the rollback tax rate calculations are required to be offset by the revenue that will be generated by the sales tax in the current year.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

PROPERTY ASSESSMENT AND TAX PAYMENT. Property within the District is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

PENALTIES AND INTEREST. Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Cumulative Penalty	Cumulative Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, the penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, up to 20% attorney’s collection fee is added to the total tax penalty and interest charge.

Taxes levied by the District are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each taxing unit, including the District, having the power to tax the property. The District’s tax lien is on a parity with tax liens of all other such taxing units. A tax lien on real property has priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty and interest. At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. The ability of the District to collect delinquent taxes by foreclosure may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer’s debt. **Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.**

DISTRICT APPLICATION OF TAX CODE.

The District provides an exemption for persons 65 years of age or disabled.

The District has not granted an additional exemption of 20% of the market value of residence homesteads.

Ad valorem taxes are not levied by the District against the exempt value of residence homesteads for the payment of debt.

The District does not tax nonbusiness personal property; Scurry County Tax/Assessor Collector collects taxes for the District.

The District does not permit split payments, and discounts are not allowed.

The District does not grant freeport exemption.

The District does not tax goods-in-transit.

The District has adopted a tax abatement policy.

The District has adopted the tax freeze on residence homestead of the disabled and persons 65 years of age or older.

TABLE 1 – VALUATION AND TAX SUPPORTED DEBT

2014 Estimated Taxable Assessed Valuation ^(a) (100% of Estimated Market Value)	\$3,509,993,038
2013 Certified Taxable Assessed Valuation (100% of Estimated Market Value)	\$3,478,253,820
Outstanding Debt ^(b)	0
Plus: The Bonds	14,815,000
Total Direct Debt	<u>\$14,815,000</u>
As a % of Estimated 2014 Taxable Assessed Valuation	0.42%
As a % of Certified 2013 Taxable Assessed Valuation	0.43%

(a) Source: Scurry County Appraisal District. Values for fiscal year ended 8/31/2014 are estimates provided by Scurry County Appraisal District

(b) Does not include outstanding revenue obligations of the District.

TABLE 2 – TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Tax Year 2012	Tax Year 2011	Tax Year 2010	Tax Year 2009	Tax Year 2008
Real Property	\$1,125,878,759	\$1,121,729,922	\$1,055,771,255	\$1,055,214,558	\$ 994,348,171
Personal Property	<u>3,244,261,306</u>	<u>3,164,249,774</u>	<u>2,561,351,949</u>	<u>2,604,685,260</u>	<u>2,491,168,928</u>
Gross Value	\$4,370,140,065	\$4,285,979,696	\$3,617,123,204	\$3,659,899,818	\$3,485,517,099
Less Exemptions	<u>891,886,245</u>	<u>934,450,648</u>	<u>897,404,930</u>	<u>948,025,025</u>	<u>939,149,555</u>
Net Taxable Value	<u>\$3,478,253,820</u>	<u>\$3,351,529,048</u>	<u>\$2,719,718,274</u>	<u>\$2,711,874,793</u>	<u>\$2,546,367,544</u>

TABLE 3 – VALUATION AND TAX SUPPORTED DEBT HISTORY

Fiscal Year Ended 8/31	Estimated Population ^(a)	Taxable Assessed Valuation ^(b)	Taxable Assessed Valuation Per Capita	Tax Debt Outstanding at End of Year	Ratio Tax Debt to Taxable Assessed Valuation	Tax Debt Per Capita
2010	16,921	\$ 2,711,874,793	\$160,267	\$0	0.00%	\$0
2011	16,919	2,719,718,274	160,749	0	0.00%	0
2012	17,126	3,351,529,048	195,628	0	0.00%	0
2013	17,600	3,478,253,820	197,628	0	0.00%	0
2014	18,000	3,509,993,038	195,000	14,815,000 ^(c)	0.42% ^(c)	823 ^(c)

(a) Estimates provided by the District.

(b) Source: Scurry County Appraisal District. Values for fiscal year ended 8/31/2014 are estimates provided by Scurry County Appraisal District

(c) Includes the Notes. Does not include outstanding revenue obligations of the District.

TABLE 4 – TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 8/31	Tax Rate	Maintenance and Operations	Debt Service Fund	Tax Levy ^(a)	% Current Collections	% Total Collections
2009	\$0.1174	\$0.1174	\$0	\$3,565,005	99.14%	99.90%
2010	0.1520	0.1520	0	3,839,701	99.15%	99.97%
2011	0.1523	0.1523	0	4,133,884	99.09%	100.36%
2012	0.2114	0.2114	0	5,765,463	99.12%	99.79%
2013	0.1858	0.1858	0	6,265,278	99.22%	100.07%
2014	0.2500	0.2500	0	8,621,889	(In Process of Collection)	

(a) Excludes penalties and interest.

TABLE 5 – TEN LARGEST TAXPAYERS

Name of Taxpayer	Type of Property	2013 Taxable Assessed Valuation	% of Total 2013 Taxable Assessed Valuation
Kinder Morgan Production LP-Leases	Oil & Gas Leases	\$ 805,510,153	23.16%
Patterson Uti Drilling Co	Oil Field Equipment	343,841,120	9.89%
Occidental Permian LTD	Oil & Gas	208,318,773	5.99%
Kinder Morgan Production	Oil & Gas	89,604,990	2.58%
Oncor Electric Delivery Co	Utility	87,801,010	2.52%
Apache Corporation	Oil & Gas	84,337,044	2.42%
Kinder Morgan Production Co LP	Oil & Gas	46,175,190	1.33%
Parallel Petroleum LLC	Oil & Gas	36,689,930	1.05%
BJ Services Co USA	Oil Field Equipment	31,214,670	0.90%
Fuller, Gillian Account	Oil & Gas	28,556,682	0.82%
		<u>\$1,762,049,562</u>	<u>50.66%</u>

TAX SUPPORTED DEBT LIMITATION. By local referendum held on June 13, 1970, the District is limited to a total tax rate not to exceed \$0.35 per \$100 taxable assessed valuation for maintenance and operations and debt service purposes. The District's voter approved tax rate is lower than the \$1.00 per \$100 taxable assessed valuation limitation (of which a maximum of \$0.50 may be utilized for debt service purposes of voter approved bonds) on ad valorem tax rates for community college districts permitted by Section 130.122, as amended, Texas Education Code. Though the District is permitted by law to hold an election to consider an increase in the maximum ad valorem tax it may levy and collect, it has no current plans to do so. The District currently has no ad valorem tax debt outstanding.

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TABLE 6 – ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the District are paid out of ad valorem taxes levied by such entities on properties within the District. Such entities are independent of the District and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax debt (“Tax Debt”) was developed from information contained in “Texas Municipal Reports” published by the Municipal Advisory Council of Texas. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the District.

<u>Taxing Jurisdiction</u>	<u>Total Debt</u> ^(a)	<u>As Of</u>	<u>Estimated % Overlapping</u>	<u>Overlapping Debt</u>
Colorado ISD	\$29,840,000	01/31/14	6.77%	\$ 2,020,168
Hermleigh ISD	8,934,092	12/31/12	78.77%	7,037,384
Ira ISD	-None-	01/31/14	99.11%	0
Roscoe Collegiate ISD	12,879,999	01/31/14	3.72%	479,136
Scurry Co	13,801,918	12/31/12	100.00%	13,801,918
Scurry Co Hospital District	0	01/31/14	100.00%	0
Snyder CISD	17,073,150	12/31/12	98.02%	16,735,102
Snyder, City of	0	01/31/14	100.00%	0
Estimated (Net) Overlapping Debt				<u>\$40,073,708</u>
Scurry County JCD ^(b)				<u>14,815,000</u> ^(b)
Total Direct & Estimated Overlapping Debt				<u>\$54,888,708</u>

As a % of Estimated 2014 Taxable Assessed Valuation^(c) 1.56%

^(a) Gross Debt

^(b) Includes the Notes. Does not include outstanding revenue obligations of the District.

^(c) Uncertified, provided by Scurry County Appraisal District.

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DEBT INFORMATION

TABLE 7 – TAX DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 8/31	Plus: The Notes		Total Debt Service ^(a)
	Principal	Interest	
2014	--	\$170,323	\$170,323
2015	\$785,000	482,681	1,267,681
2016	800,000	466,831	1,266,831
2017	825,000	446,456	1,271,456
2018	845,000	421,406	1,266,406
2019	875,000	395,606	1,270,606
2020	900,000	368,981	1,268,981
2021	930,000	336,881	1,266,881
2022	970,000	298,881	1,268,881
2023	1,010,000	259,281	1,269,281
2024	1,050,000	218,081	1,268,081
2025	1,090,000	180,050	1,270,050
2026	1,125,000	144,738	1,269,738
2027	1,160,000	106,881	1,266,881
2028	1,205,000	66,219	1,271,219
2029	1,245,000	22,566	1,267,566
	<u>\$14,815,000</u>	<u>\$4,385,862</u>	<u>\$19,200,862</u>

Average Annual Debt Service Requirements \$1,200,054
 Maximum Annual Debt Service Requirement..... \$1,271,456

(a) Does not include outstanding revenue obligations of the District.

TABLE 8 – AUTHORIZED BUT UNISSUED TAX BONDS

As of the date hereof, the District has no voter authorized but unissued ad valorem tax-supported bonds.

ANTICIPATED ISSUANCE OF ADDITIONAL DEBT. The District does not anticipate issuing additional limited ad valorem tax- supported indebtedness during the next twelve months.

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TABLE 9 – OTHER OBLIGATIONS

Currently, the District has \$8,309,000 in principal amount of revenue debt outstanding secured by the consolidated revenues of the District. These bonds are not general obligations of the District and are not secured by a pledge of ad valorem taxes of the District. A summary of outstanding principal, interest and debt service on the obligations is listed immediately below.

Fiscal Year Ended 8/31	Principal	Interest	Total Debt Service
2014	\$209,000	\$399,093	\$608,093
2015	223,000	391,179	614,179
2016	233,000	382,550	615,550
2017	241,000	373,172	614,172
2018	245,000	363,287	608,287
2019	256,000	352,970	608,970
2020	270,000	341,952	611,952
2021	280,000	330,243	610,243
2022	290,000	318,102	608,102
2023	306,000	305,380	611,380
2024	316,000	291,890	607,890
2025	331,000	277,636	608,636
2026	347,000	262,645	609,645
2027	363,000	246,787	609,787
2028	380,000	230,040	610,040
2029	396,000	212,509	608,509
2030	413,000	194,064	607,064
2031	460,000	171,350	631,350
2032	490,000	144,038	634,038
2033	520,000	115,000	635,000
2034	550,000	84,238	634,238
2035	1,190,000	34,213	1,224,213
	<u>\$8,309,000</u>	<u>\$5,822,334</u>	<u>\$14,131,333</u>

The District may incur financial obligations including additional maintenance tax notes, ad valorem tax-supported bonds (after an approving election), public property finance contractual obligations, delinquent tax notes, and leases for various purposes payable from state appropriations and surplus maintenance taxes.

PENSION FUND AND OTHER POST-EMPLOYMENT BENEFITS. The District contributes to the Teacher Retirement System of Texas (“TRS”), a cost-sharing, multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan. TRS issues a publicly available financial report with required supplementary information which can be obtained from www.trs.state.tx.us, under the TRS Publications heading. Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) a state statute prohibits benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize TRS’ unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% and 6.4% for fiscal years 2013 and 2012 and a state contribution rate of 6.4% and 6.0% for fiscal year 2013 and 2012. In certain instances the reporting district is required to make all or a portion of the state's 6.4% and 6.0% contribution for fiscal year 2013 and 2012.

In addition, the District also allows participation in an Optional Retirement Program. Participation in the Optional Retirement Program is in lieu of participation in the Teacher Retirement System. The Optional Retirement Program provides for the purchase of annuity contracts and operates under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. Contribution requirements are not actuarially determined but are established and amended by the Texas legislature. The percentages of participant salaries currently contributed by the state and each participant are 6.0% and 6.0% for 2013 and 2012 respectively. The District contributes 7.31% for employees who were participating in the Optional Retirement Program prior to September 1, 1995. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program.

The retirement expense to the State for the District was \$220,546 and \$316,802 for the fiscal years ended August 31, 2013 and 2012, respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the District. The total payroll for all District employees was \$7,218,314 and \$7,053,363 for fiscal years 2013 and 2012, respectively. The total payroll of employees covered by the Teacher Retirement System was \$4,106,037 and \$3,984,225 and the total payroll of employees covered by the Optional Retirement Program was \$2,109,272 and \$2,103,783 for fiscal years 2013 and 2012, respectively. Additional information can be found in APPENDIX A, Note 10 of the District's Comprehensive Annual Financial Report for the year ended August 31, 2013.

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FINANCIAL INFORMATION

TABLE 10 - CHANGE IN NET POSITION^(a)

	Fiscal Years Ended August 31,				
	2013	2012	2011	2010	2009
Operating Revenues					
Tuition and fees	\$ 3,268,729	\$ 2,951,458	\$ 2,643,162	\$ 2,758,218	\$ 2,685,383
Federal grants and contracts	2,750,086	2,622,140	2,031,708	2,068,475	2,060,051
State grants and contracts	42,867	74,611	121,735	634,934	636,195
Non-governmental grants & contracts	-	-	67,291	158,386	158,757
Sales/services of ed. activities	11,018	18,025	19,409	26,074	17,463
Auxiliary enterprises	1,954,674	2,269,415	2,303,751	1,947,698	1,720,959
Other operating revenues	48,514	136,202	118,956	107,496	142,104
Total Operating Revenues	8,075,888	8,071,851	7,306,012	7,701,281	7,420,912
Operating Expenses					
Instruction	3,765,744	3,658,884	3,659,404	3,758,781	3,433,714
Public service	1,776,719	2,146,940	2,279,847	2,548,756	2,770,107
Academic support	706,820	682,048	702,446	715,344	772,199
Student services	805,075	717,843	652,898	582,080	493,645
Institutional support	3,238,108	3,174,204	2,987,584	2,911,828	2,656,495
Operation/ maintenance of plant	3,147,185	2,849,410	2,543,072	2,568,276	2,132,428
Scholarships and fellowships	2,525,044	2,624,492	2,616,780	2,371,791	1,430,639
Auxiliary enterprises	2,646,286	2,624,959	2,759,735	2,794,255	2,649,700
Depreciation	919,984	852,729	779,518	498,254	709,162
Total Operation Expenses	19,530,965	19,331,509	18,981,284	18,749,365	17,048,089
Operating Income (Loss)	(11,455,077)	(11,259,658)	(11,675,272)	(11,048,084)	(9,627,177)
Nonoperating revenues (Expenses)					
State appropriations	4,219,625	4,412,712	4,847,314	4,910,633	4,074,218
Maintenance ad-valorem taxes	6,194,971	5,686,282	4,066,974	3,792,196	3,515,940
Federal revenue, non-operating	2,751,122	3,084,048	2,884,637	2,596,141	1,430,656
Gifts	80,614	570,821	117,230	165,565	788,105
Investment income (net of inv. exp.)	88,488	49,273	40,384	32,474	23,592
Gain (loss) on sale of invest., realized	94,450	-	-	-	-
Gain (loss) on sale of invest., unrealized	77,260	104,013	-	-	-
Interest on capital related debt	(451,198)	(518,876)	(538,568)	(508,447)	(240,462)
Gain (loss) on disposal of capital assets	(22,367)	(30,729)	-	(14,141)	(71,876)
Additions to permanent & term endowments	353,878	(298,641)	378,594	413,664	208,328
Other non-operating revenues (expenses)	584,571	488,870	1,018,054	445,704	33,177
Net Non-Operating Revenues	13,971,414	13,547,773	12,814,619	11,833,792	9,761,678
Increase (Decrease) in Net Position	2,516,337	2,288,115	1,139,347	785,708	134,501
NET POSITION					
Net Position – beginning of year	16,987,748	14,699,633	13,560,286	12,774,578	12,640,077
Net Position – end of year	\$19,504,085	\$16,987,748	\$ 14,699,633	\$ 13,560,286	\$ 12,774,578

Source: The District's Audited Financial Statements.

(a) With the implementation of GASB 63, The Statement of Net Assets was renamed The Statement of Net Position.

TABLE 11 – STATEMENT OF NET POSITION^(a)

	Fiscal Years Ended August 31,				
	2013	2012	2011	2010	2009
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 3,474,785	\$ 3,510,810	\$ 1,878,556	\$ 1,598,979	\$ 823,815
Short-term investments	869,932	871,336	891,921	1,215,791	1,244,767
Accounts receivable, net	2,742,769	2,895,941	2,686,525	2,781,624	2,711,207
Inventories	62,963	62,602	60,074	53,498	43,978
Prepaid and deferred expenses	57,765	50,877	54,056	72,963	102,475
Total Current Assets	7,208,214	7,391,566	5,571,132	5,722,855	4,926,242
Noncurrent Assets:					
Restricted cash and cash equivalents	2,354,324	432,183	2,949,393	1,220,795	54,669
Restricted short-term investments	-	-	-	2,538,174	2,183,834
Restricted long-term investments	3,462,422	2,795,446	-	-	-
Debt issuance cost, net	266,289	218,243	228,704	239,166	58,100
Capital assets, net	21,467,060	20,264,006	20,259,522	19,435,019	14,999,305
Total Noncurrent Assets	27,560,095	23,709,880	23,437,619	23,433,154	17,295,908
TOTAL ASSETS	34,768,309	31,101,446	29,008,751	29,156,009	22,222,150
LIABILITIES					
Current Liabilities					
Accounts payable	666,804	583,837	451,639	1,173,266	853,863
Accrued liabilities	295,979	286,279	206,999	188,005	153,935
Funds held for others	529,236	501,927	551,827	702,640	641,691
Deferred revenues	2,711,358	2,660,252	2,755,826	2,598,258	2,380,213
Accrued compensated absences	214,091	225,999	216,817	226,969	226,198
Notes payable - current portion	815,144	506,852	599,086	670,765	813,840
Capital leases payable – current portion	66,498	96,444	72,773	168,655	146,716
Bonds payable – current portion	209,000	216,000	125,000	170,000	80,000
Total Current Liabilities	5,508,110	5,077,590	4,979,967	5,898,558	5,296,456
Noncurrent Liabilities:					
Deposits	163,790	147,325	130,400	106,025	108,650
Notes payable	838,704	-	-	-	-
Capital leases payable	653,621	634,783	728,751	946,140	1,117,466
Bonds payable	8,100,000	8,254,000	8,470,000	8,645,000	2,925,000
Total Noncurrent Liabilities	9,756,115	9,036,108	9,329,151	9,697,165	4,151,116
Total Liabilities	\$ 15,264,225	\$ 14,113,698	\$ 14,309,118	\$ 15,595,723	\$ 9,447,572
NET POSITION					
Invested in capital assets, net of related debt	10,576,159	10,555,927	10,263,912	8,834,459	9,916,283
Restricted:					
Nonexpendable					
Scholarships and fellowships	3,748,870	3,095,828	2,832,664	2,556,196	1,849,779
Expendable					
Student aid	242,328	265,573	266,904	233,670	159,839
Instructional programs	5,005	5,005	5,005	5,005	5,005
Capital projects	93,213	131,675	123,318	238,549	595,273
Loans	363,203	367,345	384,712	380,102	396,972
Debt service	1,582,790	1,347,067	1,084,234	1,220,757	436,042
Unexpended Debt Proceeds	207,935	-	-	967,529	-
Unrestricted	2,684,582	1,219,328	(261,116)	(875,981)	(584,615)
TOTAL NET POSITION	\$ 19,504,085	\$ 16,987,748	\$ 14,699,633	\$ 13,560,286	\$ 12,774,578

Source: The District's Audited Financial Statements.

(a) With the implementation of GASB 63, The Statement of Net Assets was renamed The Statement of Net Position.

FINANCIAL POLICIES.

The following description of financial and accounting policies is based on implementation of accounting standards under Governmental Accounting Standards Board (“GASB”) Statement No. 34 and No. 35, and is applicable to financial reports for fiscal year 2002 and thereafter (as reflected in Table 10 and Table 11).

Implementation of New Accounting Standard . . . Effective September 1, 2001, the District adopted Governmental Accounting Standards Board (“GASB”) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, GASB Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*, GASB No. 37, *Basic Financial Statements – and Management’s Discussion Analysis – for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

The District is now classified as a special purpose government with all financial data of the District reflected as one business- type activity. The Statement of Net Position displays the financial position of the District at the end of the fiscal year and the Statement of Revenues, Expenses and Changes in Net Position displays the operation of the District for the year. The financial statements are now prepared using the economic resources measurement focus and the full accrual method of accounting. This change in accounting focus also required the depreciation of capital assets. In addition, a Statement of Cash Flows and a Management’s Discussion and Analysis have been added to the basic financial statements.

Reporting Guidelines . . . The significant accounting policies followed in preparing these financial statements are in accordance with the *Texas Higher Education Coordinating Board’s Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges*. The District applies all applicable GASB pronouncements and all applicable Financial Accounting Standard Board (“FASB”) statements and interpretations issued on or before November 30, 1989 unless they conflict with or contradict GASB pronouncements. The District has elected not to apply FASB guidance issued subsequent to November 30, 1989, unless specifically adopted by the GASB. For financial reporting purposes, the District is considered a special-purpose government engaged in business-type activities.

Tuition Discounting . . . The District’s tuition discounting is classified as follows:

Texas Public Education Grants: Certain tuition amounts are required to be set aside for use as scholarships by qualifying students. This set-aside, called the Texas Public Education Grant (“TPEG”), is shown with tuition and fee revenue amounts as a separate set aside amount (Texas Education Code Section 56.0333). When the award is used by the student for tuition and fees, the amount is recorded as a tuition discount. When the award is used for purposes other than tuition and fees, the amount is recorded as a scholarship expense.

Title IV, Higher Education Act (“HEA”) Program Funds: Certain Title IV HEA Program funds are received by the District to pass-through to students. These funds are received by the District and recorded as revenue. When a student uses the award for tuition and fees, the amount is recorded as tuition discount. When the award is used for purposes other than tuition and fees, the amount is recorded as a scholarship expense.

Other Tuition Discounts: The District awards tuition and fee scholarships from institutional funds to students who qualify. When these funds are used for tuition and fees, the awards are recorded as tuition discount. When these awards are used for purposes other than tuition and fees, the amounts are recorded as scholarship expense.

Basis of Accounting . . . The financial statements of the District have been prepared on the accrual basis, whereby all revenues are recorded when earned, and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

Investments . . . In accordance with GASB 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, investments are reported at fair value. Fair values are based on published market rates. Short-term investment have an original maturity less than one year at time of purchase. Long-term investments

include original maturities greater than one year at the time of purchase. The District intends to hold these investments until maturity.

INVESTMENTS.

The District invests its investable funds in investments authorized by Texas law in accordance with an Investment Policy approved by the Board of Trustees of the District. Both State law and the District's investment policies are subject to change.

LEGAL INVESTMENTS. Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent, (6) (a) certificates of deposit and share certificates issued by a depository institution that has its main office or branch office in the State of Texas, that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors, or are secured as to principal by obligations described in clauses (1) through (5) and clause (13) or in any other manner and amount provided by law for District deposits, and in addition (b) the District is authorized, subject to certain conditions, to invest in certificates of deposit with a depository institution that has its main office or branch office in the State of Texas and that participates in the Certificate of Deposit Account Registry Service® network (CDARS®) and as further provided by Texas law, (7) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas, (8) bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency, (9) commercial paper that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (10) no-load money market mutual funds regulated by the United States Securities and Exchange Commission that have a dollar weighted average portfolio maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share, (11) no-load mutual funds registered with the United States Securities and Exchange Commission that: have an average weighted maturity of less than two years; invests exclusively in obligations described in the preceding clauses; and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent, (12) bonds issued, assumed, or guaranteed by the State of Israel, and (13) guaranteed investment contracts secured by obligations of the United States of America or its agencies and instrumentalities, other than the prohibited obligations described in the next succeeding paragraph.

Entities such as the District may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized including accrued income, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (5) and clause (13) above, (b) pledged irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (5) and clause (13) above, clause (9) above and clauses (10) and (11) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to such investing entity or a third party designated by such investing entity; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pool are rated no lower than "AAA" or "AAA-m" or an equivalent by at least one nationally recognized rating service. The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed

security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Under Texas law, the District may contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance or resolution.

INVESTMENT POLICIES. Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for District funds, maximum allowable stated maturity of any individual investment owned by the District and the maximum average dollar-weighted maturity allowed for pooled fund groups. All District funds must be invested consistent with a formally adopted "Investment Policy" that specifically addresses each fund's investment. Each Investment Policy will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, District investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived". At least quarterly the investment officers of the District shall submit an investment report detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest District funds without express written authority from the Board.

ADDITIONAL PROVISIONS. Under Texas law, the District is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the Board; (4) require the qualified representative of firms offering to engage in an investment transaction with the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the District and the business organization that are not authorized by the District's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the District's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the District and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the District's investment policy; (6) provide specific investment training for the Investment Officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the District.

TABLE 12 – CURRENT INVESTMENTS

As of August 31, 2013, the District’s investable funds were invested in the following categories:

Type of Security	Book Value	Market Value
Mutual Funds (Equity)	\$1,721,478	\$1,721,478
Mutual Funds (Bonds)	1,680,618	1,680,618
Certificates of Deposit	350,000	350,000
TexPool	519,932	519,932
Money Market Funds	70,326	70,326
Cash and cash equivalents	5,829,109	5,829,109
Total	\$10,171,463	\$10,171,463

(1) Unaudited.

No funds of the District are invested in derivative securities; i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity. As of such date, the market value of such investments (as determined by the District by reference to published quotations, dealer bids, and comparable information) was approximately 100% of book value.

TAX MATTERS

OPINION OF BOND COUNSEL – FEDERAL INCOME TAX STATUS OF INTEREST.

Bond Counsel's opinion will state that, under current law, (i) interest on the Notes (including any accrued “original issue discount” properly allocable to the owners of such Notes) is excludable from gross income for purposes of federal income taxation under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) and (ii) interest on the Notes is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, for purposes of the alternative minimum tax imposed on corporations (as defined for federal income tax purposes under Section 56 of the Code), interest on the Notes is included in computing adjusted current earnings.

Bond Counsel will express no opinion regarding other federal tax consequences arising with respect to the Notes.

Bond Counsel's opinion speaks as of its date, is based on current legal authority and precedent, covers certain matters not directly addressed by such authority and precedent, and represents Bond Counsel's judgment as to the proper treatment of interest on the Notes for federal income tax purposes under Section 103 of the Code. Bond Counsel's opinion does not contain or provide any opinion or assurance regarding the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the Internal Revenue Service (the “IRS”). The District has covenanted, however, to comply with the requirements of the Code.

RELIANCE AND ASSUMPTIONS; EFFECT OF CERTAIN CHANGES.

In delivering its opinion regarding the treatment of interest on the Notes, Bond Counsel is relying upon certifications of representatives of the District, the underwriters of such Notes, and other persons as to facts material to the opinion, which Bond Counsel has not independently verified.

In addition, Bond Counsel is assuming continuing compliance with the Covenants (as hereinafter defined) by the District. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Notes in order for interest on the Notes to be and remain excludable from gross income for purposes of federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Notes and the use of the property financed by such Notes, limitations on the source of the payment of and the security for such Notes and the obligation to rebate certain excess earnings on the gross proceeds of such Notes to the United States Treasury. The tax

compliance agreement to be entered into by the District with respect to the Notes contains covenants (the “Covenants”) under which the District has agreed to comply with such requirements. Failure by the District to comply with the Covenants could cause interest on the Notes to become includable in gross income for federal income tax purposes retroactively to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Notes from becoming includable in gross income for federal income tax purposes.

Bond Counsel has no responsibility to monitor compliance with the Covenants after the date of issue of the Notes.

Certain requirements and procedures contained, incorporated or referred to in the tax compliance agreement, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion concerning any effect on the excludability of interest on the Notes from gross income for federal income tax purposes of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than Bond Counsel.

CERTAIN COLLATERAL FEDERAL TAX CONSEQUENCES.

The following is a brief discussion of certain collateral federal income tax matters with respect to the Notes. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner thereof. Prospective purchasers of the Notes, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning or disposing of the Notes.

Prospective purchasers of the Notes should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers including, without limitation, financial institutions, certain insurance companies, certain corporations (including S corporations and foreign corporations), certain foreign corporations subject to the “branch profits tax,” individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers attempting to qualify for the earned income tax credit.

In addition, prospective purchasers should be aware that the interest paid on, and the proceeds of the sale of, tax-exempt obligations, including the Notes, are in many cases required to be reported to the IRS in a manner similar to interest paid on taxable obligations. Additionally, backup withholding may apply to any such payments to any Note owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Note owner who is notified by the IRS of a failure to report all interest and dividends required to be shown on federal income tax returns. The reporting and withholding requirements do not in and of themselves affect the excludability of such interest from gross income for federal tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

ORIGINAL ISSUE DISCOUNT.

The “original issue discount” (“OID”) on any Note is the excess of such Note's stated redemption price at maturity (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of such Note. The “issue price” of a Note is the initial offering price to the public at which price a substantial amount of such Notes of the same maturity was sold. The “public” does not include bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. The issue price for each maturity of the Notes is expected to be the initial public offering price set forth on the inside front cover page of this Official Statement (or, in the case of Notes sold on a yield basis, the initial offering price derived from such yield), but is subject to change based on actual sales. OID on the Notes with OID (the “OID Notes”) represents interest that is excludable from gross income for purposes of federal income taxation. However, the portion of the OID that is deemed to have accrued to the owner of an OID Note in each year may be included in determining the alternative minimum tax and the distribution requirements of certain investment companies and may result in some of the collateral federal income tax consequences mentioned in the preceding subsection. Therefore, owners of OID Notes should be aware that the accrual of OID in each year may result in alternative minimum tax liability, additional distribution requirements or other collateral federal income tax consequences although the owner may not have received cash in such year.

Interest in the form of OID is treated under Section 1288 of the Code as accruing under a constant yield method that takes into account compounding on a semiannual or more frequent basis. If an OID Note is sold or otherwise disposed of between semiannual compounding dates, then the OID which would have accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

In the case of an original owner of an OID Note, the amount of OID that is treated as having accrued on such OID Note is added to the owner's cost basis in determining, for federal income tax purposes, gain or loss upon its disposition (including its sale, redemption or payment at maturity). The amounts received upon such disposition that are attributable to accrued OID will be excluded from the gross income of the recipients for federal income tax purposes. The accrual of OID and its effect on the redemption, sale or other disposition of OID Notes that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above.

Prospective purchasers of OID Notes should consult their own tax advisors with respect to the precise determination for federal income tax purposes of interest accrued upon sale or redemption of such OID Notes and with respect to state and local tax consequences of owning OID Notes.

BOND PREMIUM.

In general, if an owner acquires a Note for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Note after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "Note premium" on that Note (a "Premium Note"). In general, under Section 171 of the Code, an owner of a Premium Note must amortize the Note premium over the remaining term of the Premium Note, based on the owner's yield over the remaining term of the Premium Note, determined based on constant yield principles. An owner of a Premium Note must amortize the Note premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the Note premium allocable to that period. In the case of a tax-exempt Premium Note, if the Note premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Note may realize a taxable gain upon disposition of the Premium Note even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Prospective purchasers of any Premium Notes should consult their own tax advisors regarding the treatment of Note premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of Note premium on, sale, exchange, or other disposition of Premium Notes.

POSSIBLE LEGISLATIVE OR REGULATORY ACTION.

Legislation and regulations affecting tax-exempt notes are continually being considered by the United States Congress, the United States Treasury Department (the "Treasury Department"), and the IRS. In addition, the IRS has established an expanded audit and enforcement program for tax-exempt notes. There can be no assurance that legislation enacted or proposed after the date of issue of the Notes or an audit initiated or other enforcement or regulatory action taken by the Treasury or the IRS involving the Notes or other tax-exempt notes will not have an adverse effect on the tax status or the market price of the Notes or on the economic value of the tax-exempt status of the interest thereon.

CONTINUING DISCLOSURE OF INFORMATION

In the Resolution, the District has made the following agreement for the benefit of the beneficial owners of the Notes. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Notes. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually and timely notice of specified events to the MSRB. The information provided to the MSRB will be available to the public free of charge via the EMMA system through an internet website accessible at www.emma.msrb.org.

ANNUAL REPORTS. The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under Tables 1 through 5 and 7 through 12 and in Appendix A. The District will update and provide this information within six months after the end of each fiscal year.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's EMMA internet website or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the District commissions an audit and the audit is completed by the required time. If audited financial statements are not provided with annual information, the District will provide unaudited financial statements at by the required time and audited financial statements when and if the audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX A or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation.

The District's current fiscal year end is August 31. Accordingly, it must provide updated information by the last day of February in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will file notice of the change with the MSRB.

NOTICE OF CERTAIN EVENTS. The District will file with the MSRB notice of any of the following events with respect to the Notes in a timely manner (and not more than 10 business days after occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the federal income tax status of the Notes, or other material events affecting the tax status of the Notes; (7) modifications to rights of holders of the Notes, if material; (8) Note calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Notes, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional paying agent/registrars or the change of name of a paying agent/registrars, if material. Neither the Notes nor the Resolution make any provision for debt service reserves, credit enhancement or liquidity enhancement for the Notes. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports". The District will provide each notice described in this paragraph to the MSRB.

For these purposes, any event described in clause (12) of the immediately preceding paragraph is considered to occur when any of the following occur; the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

AVAILABILITY OF INFORMATION. Effective July 1, 2009 (the "EMMA Effective Date"), the SEC implemented amendments to the Rule which approved the establishment by the MSRB of EMMA, which is now the sole successor to the national municipal securities information repositories with respect to filings made in connection with undertakings made under the Rule after the EMMA Effective Date. Commencing with the EMMA Effective Date, all information and documentation filing required to be made by the District in accordance with its

undertaking made for the Notes will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

With respect to debt of the District issued prior to the EMMA Effective Date, the District remains obligated to make annual required filings, as well as notices of certain events, under its continuing disclosure obligations relating to those debt obligations (which includes a continuing obligation to make such filings with the Texas state information depository (the "SID")). Prior to EMMA Effective Date, the Municipal Advisory Council of Texas (the "MAC") had been designated by the State and approved by the SEC staff as a qualified SID. Subsequent to the EMMA Effective Date, the MAC entered into a Subscription Agreement with the MSRB pursuant to which the MSRB makes available to the MAC, in electronic format, all Texas-issuer continuing disclosure documents and related information posted to EMMA's website simultaneously with such posting. Until the District receives notice of a change in this contractual agreement between the MAC and EMMA or of a failure of either party to perform as specified thereunder, the District has determined, in reliance on guidance from the MAC, that making its continuing disclosure filings solely with the MSRB will satisfy its obligations to make filings with the SID pursuant to its continuing disclosure agreements entered into prior to the EMMA Effective Date.

LIMITATIONS AND AMENDMENTS. The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Notes at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Notes may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if (i) the continuing disclosure agreement, as amended, would have permitted an underwriter to purchase or sell Notes in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Notes consent to the amendment or (b) any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the registered owners of the Notes. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Notes in the primary offering of the Notes. If the District so amends the continuing disclosure agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS. During the past five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

OTHER INFORMATION

RATINGS.

The presently outstanding tax supported debt of the District is rated "AA-" by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), without regard to credit enhancement. Applications for contract ratings on the Notes have been made to S&P. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the District makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant.

Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Notes.

NO LITIGATION CERTIFICATE.

The District is not a party to any litigation or other proceeding pending or to its knowledge, threatened, in any court, agency, or other administrative body (either state or federal) which, if decided adversely to the District, would have a material adverse effect on the financial statements or operations of the District. At the time of the initial delivery of the Notes, the District will provide the Underwriters with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Notes or that affects the payment and security of the Notes or in any other manner questioning the issuance, sale, or delivery of said Notes.

REGISTRATION AND QUALIFICATION OF NOTES FOR SALE.

The sale of the Notes has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Notes have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Notes been qualified under the securities acts of any jurisdiction. The District assumes no responsibility for qualification of the Notes under the securities laws of any jurisdiction in which the Notes may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Notes shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS.

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Notes are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Notes by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Notes be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION – Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Notes are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Notes are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the District has been made of the laws in other states to determine whether the Notes are legal investments for various institutions in those states.

LEGAL MATTERS.

The District will furnish a complete transcript of proceedings to the Underwriters incident to the authorization and issuance of the Notes, including the unqualified approving legal opinion of the Attorney General of Texas as to the Notes to the effect that the Notes are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel with respect to the Notes issued in compliance with the provisions of the Resolution to like effect and to the effect that the interest on the Notes will be excludable from gross income for Federal income tax purposes under Section 103(a) of the Internal Revenue Code, subject to the matters described under "TAX MATTERS" herein. A form of Bond Counsel's opinion is attached to this Official Statement as Appendix B. Though it represents the Financial Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Notes, Bond Counsel has been engaged by and only represents the District in connection with the issuance of the Notes. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Notes which would affect the provision made for their payment or security, or in any manner questioning the validity of said Notes will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein,

except that, in its capacity as Bond Counsel, such firm has reviewed the information appearing under the captions and subcaptions “THE NOTES” (excluding the information under the subcaptions “Book-Entry-Only System”, “Noteholders’ Remedies”, and “Use of Note Proceeds”, as to which no opinion is expressed), “TAX MATTERS”, “OTHER INFORMATION – Registration and Qualification of Notes for Sale”, “OTHER INFORMATION – Legal Investments and Eligibility to Secure Public Funds in Texas”, and “CONTINUING DISCLOSURE OF INFORMATION” (excluding the information under the subcaption “Compliance with Prior Undertakings”, as to which no opinion is expressed), and such firm is of the opinion that the information relating to the Notes and the legal issues contained under such captions and subcaptions is an accurate and fair description of the information purported to be described therein and, with respect to the Notes, such information conforms to the Resolution. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Notes is contingent upon the sale and delivery of the Notes. The legal opinion will accompany the Notes deposited with DTC or will be printed on the Notes in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by their counsel, Fulbright & Jaworski LLP, a member of Norton Rose Fulbright, Houston, Texas, whose fee is contingent on the delivery of the Notes.

The legal opinions to be delivered concurrently with the delivery of the Notes express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

FINANCIAL ADVISOR.

Government Capital Securities Corporation is employed as Financial Advisor to the District in connection with the issuance of the Notes. The Financial Advisor’s fee for services rendered with respect to the sale of the Notes is contingent upon the issuance and delivery of the Notes. Government Capital Securities Corporation, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Notes, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the District has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

UNDERWRITING.

The Underwriters have agreed, subject to certain conditions, to purchase the Notes from the District, at the prices indicated on the inside front cover hereof, less an underwriting discount of \$98,996.25 and no accrued interest. The Underwriters will be obligated to purchase all of the Notes if any Notes are purchased. The Notes to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Notes into investment trusts) at prices lower than the public offering prices of such Notes and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

FORWARD-LOOKING STATEMENTS.

The statements contained in this Official Statement, and in any other information provided by the District, that are not purely historical, are forward-looking statements, including statements regarding the District’s expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking

statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. The District's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the District. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

MISCELLANEOUS.

The financial data and other information contained herein have been obtained from the District's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

The Resolution authorizing the issuance of the Notes will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Notes by the Underwriters.

/s/ Lee Presswood

President, Board of Trustees
Scurry County Junior College District

ATTEST:

/s/ Drew Bullard

Secretary, Board of Trustees
Scurry County Junior College District

APPENDIX A

EXCERPTS FROM THE
SCURRY COUNTY JUNIOR COLLEGE DISTRICT
ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2013

The information contained in this Appendix consists of excerpts from the Scurry County Junior College District Audited Financial Statements for the year ended August 31, 2013, and is not intended to be a complete statement of the District's financial condition. Reference is made to the complete Report for further information.

APPENDIX B

FORM OF BOND COUNSEL'S OPINION